LAW FOUNDATION OF NOVA SCOTIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

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AUDITORS' REPORT

To The Board of Governors of the Law Foundation of Nova Scotia

We have audited the statement of financial position of the Law Foundation of Nova Scotia as at March 31, 2003 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Law Foundation of Nova Scotia derives substantially all of its revenue from interest credited by financial institutions on Nova Scotia Barristers' Society members' mixed trust funds which is not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to accounting for the amounts received from financial institutions and recorded in the records of the Law Foundation of Nova Scotia.

In our opinion, except for the effect of the adjustments, if any, had interest credited by financial institutions been susceptible to complete audit verification, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2003 and the results of its operations, changes in net assets and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

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Bedford, Nova Scotia

April 11, 2003

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LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2003

	2003	2002
	$	$
ASSETS		
CURRENT ASSETS		
Cash	**247,842**	302,645
Accrued interest receivable - general	**409**	3,404
Accrued interest receivable - restricted	**5,270**	3,387
Prepaid expenses	**2,246**	2,246
	255,767	311,682
INVESTMENTS - GENERAL (note 3)	**703,898**	1,230,033
INVESTMENTS - RESTRICTED (note 4)	**1,963,183**	2,000,076
LONG-TERM ACCRUED INTEREST RECEIVABLE - GENERAL	**16,869**	3,694
PROPERTY, PLANT AND EQUIPMENT (note 5)	**7,776**	8,246
	2,947,493	3,553,731
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**8,022**	7,915
Designated grants payable (note 6)	**888,910**	1,192,392
	896,932	1,200,307
NET ASSETS		
GENERAL FUND	**82,108**	349,961
RESTRICTED FUND	**1,968,453**	2,003,463
	2,050,561	2,353,424
	2,947,493	3,553,731

COMMITMENTS (note 8)

APPROVED ON BEHALF OF THE BOARD

Governor

Governor

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LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF OPERATIONS AND CHANGES IN GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2003

	2003	2002
	$	$
REVENUE		
Interest on trust accounts	**781,777**	1,159,925
Interest on investments	**16,892**	51,947
Gain on disposal of investments	**12,188**	-
	810,857	1,211,872
GRANTS (note 6)	**943,962**	1,330,886
	(133,105)	(119,014)
EXPENDITURES		
Salaries and benefits	**83,265**	74,742
Accounting and audit	**11,535**	9,177
Rent and common area	**9,931**	9,187
Office	**6,150**	4,800
Telephone	**1,681**	1,627
Computer consulting	**4,335**	3,272
Travel and meetings - board	**2,577**	865
Travel - staff	**3,192**	3,060
Bank charges	**821**	759
Brokers' and investment management fees	**8,270**	2,793
Miscellaneous	**109**	2,934
Amortization	**2,882**	2,386
	134,748	115,602
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**(267,853)**	(234,616)
GENERAL FUND - beginning of year	**349,961**	906,257
TRANSFER TO RESTRICTED FUND (note 7)	**-**	(321,680)
GENERAL FUND - end of year	**82,108**	349,961

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LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF OPERATIONS AND CHANGES IN RESTRICTED FUND

FOR THE YEAR ENDED MARCH 31, 2003

	2003	2002
	$	$
REVENUE		
Interest on investments	**17,952**	63,322
Dividend income	**37,097**	6,566
	55,049	69,888
EXPENDITURES		
Brokers' and investment management fees	**38,868**	20,619
Loss on disposal of investments	**45,349**	51,801
Foreign exchange loss	**5,842**	2,401
	90,059	74,821
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**(35,010)**	(4,933)
RESTRICTED FUND - beginning of year	**2,003,463**	1,686,716
TRANSFER FROM GENERAL FUND (note 7)	**-**	321,680
RESTRICTED FUND - end of year	**1,968,453**	2,003,463

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LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2003

	2003	2002
	$	$
CASH FLOWS (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	(302,863)	(239,549)
Amortization	2,882	2,386
Approved grants	943,962	1,330,886
Payment of grants	(1,247,444)	(1,191,926)
Gain on disposal of investments - general	(12,188)	-
Loss on disposal of investments - restricted	45,349	51,801
	(570,302)	(46,402)
Change in noncash working capital balances		
Accrued interest receivable - general	2,995	5,816
Accrued interest receivable - restricted	(1,883)	(3,387)
Prepaid expenses	-	(183)
Accounts payable and accrued liabilities	107	3,720
Long-term accrued interest receivable - general	(13,175)	(3,694)
	(582,258)	(44,130)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,412)	(2,244)
Investments - General	-	-
Purchase of investments	(354,939)	(1,418,911)
Proceeds on disposal of investments	1,070,000	1,974,677
Investments - Restricted	-	-
Purchase of investments	(1,076,757)	(2,526,237)
Proceeds on disposal of investments	1,051,103	2,235,700
	686,995	262,985
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	104,737	218,855
CASH AND EQUIVALENTS - beginning of year	448,390	229,535
CASH AND EQUIVALENTS - end of year (see note below)	553,127	448,390

NOTE:

CASH AND EQUIVALENTS

Cash and equivalents is comprised of the following items at year end:

	2003	2002
	$	$
Cash	247,842	302,645
Cash - investments - general (note 3)	247,860	71,122
Cash - investments - restricted (note 4)	57,425	74,623
	553,127	448,390

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LAW FOUNDATION OF NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

1. DESCRIPTION OF OPERATIONS

The Law Foundation was established in 1976 by a Nova Scotia statute and is exempt from income tax. Its purpose is to grant funds to groups for projects connected with the law.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Investments - General
These investments are recorded at cost.

Investments - Restricted
These investments, that have been restricted by the Foundation's Board of Directors, are recorded at cost.

Revenue Recognition
Interest on trust accounts is recorded on a cash basis when transferred to the Foundation. Interest on investments, general and restricted, are recorded on the accrual basis. Dividend income on unrestricted investments are recorded on a cash basis when received.

Property, Plant and Equipment
Property, plant and equipment are stated at cost. Amortization is provided using the following annual rates and methods:

	Rate	Method
Office equipment	20%	Diminishing balance
Furniture and fixtures	20%	Diminishing balance
Computer hardware	3 years	Straight line
Computer software	3 years	Straight line

Fund Accounting
The board of directors has internally restricted funds to finance future operations of the Foundation. The net investment income earned on these assets is recorded in the restricted fund.

The general fund accounts for the Foundation's day-to-day activities which include the interest income on lawyers' trust accounts, the interest income on the investments, less grants approved and paid, and the administrative expenses relating to the running of the Foundation.

3. INVESTMENTS - GENERAL

At March 31, 2003, the Foundation's investments held in the general fund are comprised of the following:

	2003	2002
	$	$
Fixed income funds (market value - $470,542; 2002 - $1,159,059)	456,038	1,158,911
Cash	247,860	71,122
	703,898	1,230,033

At March 31, 2003, the Foundation's fixed income investments held in the general fund are comprised of the following:

	2003
	$
Bonds	
Government of Canada - due October 1, 2007 with yield to maturity of 4.41% and face value of $75,000	61,460
Coupons	
Province of Ontario - due July 13, 2004 with yield to maturity of 4.07% and face value of $100,000	90,189
Province of Ontario - due August 8, 2004 with yield to maturity of 4.12% and face value of $100,000	89,393
Province of Ontario - due September 8, 2004 with yield to maturity of 4.18% and face value of $100,000	89,834
Province of Nova Scotia - due June 1, 2006 with yield to maturity of 4.07% and face value of $75,000	65,795
Province of Newfoundland - due April 18, 2008 with yield to maturity of 4.63% and face value of $75,000	59,367
	456,038

4. INVESTMENTS - RESTRICTED

The Foundation has internally restricted funds totalling $1,963,183 (2002 - $2,000,076) for the purpose of covering continuing commitments should the Foundation not have sufficient resources to maintain its future grants. At March 31, 2003, the Foundation's investments held in the restricted fund are comprised of the following:

	2003	2002
	$	$
Equities (market value - $1,299,041; 2002 - $1,643,345)	**1,599,327**	1,558,748
Fixed income funds (market value - $307,700; 2002 - $356,256)	**306,431**	366,705
Cash	**57,425**	74,623
	1,963,183	2,000,076

As detailed above, the total cost of the investments as at March 31, 2003 was $1,963,183. The total market value of the investments as at March 31, 2003 was $1,664,166. The total loss of $299,017 is not expected to be realized, therefore, it has not been recognized on the financial statements.

At March 31, 2003, the Foundation's fixed income investments held in the restricted fund are comprised of the following bonds:

	2003
	$
Government of Canada - due September 1, 2004 with yield to maturity of 5.00% and face value of $41,000	**41,410**
Government of Canada - due December 1, 2004 with yield to maturity of 9.00% and face value of $9,000	**9,988**
Province of Ontario - due March 8, 2007 with yield to maturity of 5.20% and face value of $27,000	**26,690**
Government of Canada - due June 1, 2007 with yield to maturity of 7.25% and face value of $37,000	**41,616**
Thompson Corporation - due July 9, 2007 with yield to maturity of 6.50% and face value of $15,000	**15,870**

4. INVESTMENTS - RESTRICTED (continued)

At March 31, 2003, the Foundation's fixed income investments held in the restricted fund are comprised of the following bonds (continued):

	2003
	$
GE Capital Canada - due July 24, 2007 with yield to maturity of 5.30% and face value of $12,000	12,085
Alberta Energy Company - due October 1, 2007 with yield to maturity of 5.95% and face value of $11,000	10,901
IPL Energy Incorporated - due July 29, 2008 with yield to maturity of 5.80% and face value of $16,000	16,432
TD Capital Trust - due December 31, 2009 with yield to maturity of 7.60% and face value of $11,000	11,820
Province of Ontario - due December 2, 2011 with yield to maturity of 6.10% and face value of $16,000	16,983
Royal Bank of Canada - due June 4, 2012 with yield to maturity of 6.75% and face value of $16,000	17,395
Government of Canada - due March 15, 2014 with yield to maturity of 10.25% and face value of $28,000	40,102
Province of Alberta - due September 16, 2016 with yield to maturity of 5.93% and face value of $15,625	16,383
Government of Canada - due June 1, 2029 with yield to maturity of 5.75% and face value of $16,000	16,270
RBC Capital Trust - due December 29, 2049 with yield to maturity of 7.183% and face value of $12,000	12,486
	306,431

5. PROPERTY, PLANT AND EQUIPMENT

	2003			2002
	Cost	Accumulated Amortization	Net	Net
	$	$	$	$
Office equipment	21,449	17,525	3,924	4,905
Furniture and fixtures	4,582	2,989	1,593	1,991
Computer hardware	8,258	6,083	2,175	1,133
Computer software	5,225	5,141	84	217
	39,514	31,738	7,776	8,246

6. DESIGNATED GRANTS

The Board of Governors has approved grants totalling $948,804 less $4,842 of grants revoked relating to the previous year, for a net of $943,962, during the year ended March 31, 2003 (2002 - $1,330,886). Grants that have been approved but remain unpaid at year end are reported as liabilities. These unpaid grants are expected to be paid out of existing cash resources and future revenues.

7. INTERFUND TRANSFERS

During the prior year, the Board of Directors approved a transfer of $321,680 from the General Fund to the Restricted Fund. There were no transfers approved in the current year.

8. COMMITMENTS

The Foundation rents it's premises under a long-term lease which expires August 31, 2004, the annual rental for which is $10,072.

9. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.